



W A S H I N G T O N

HEALTH CARE FACILITIES

A U T H O R I T Y

Financing the Health Care Future

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Washington Health Care Facilities Authority
410 11th Avenue S.E., Suite 201
Olympia, WA 98504
Thursday, November 12, 2015 Meeting Minutes

A special meeting was held at the office of the Washington Health Care Facilities Authority. Meeting notices were mailed to all members of the Authority, to all persons who requested such meeting notice, and to those members of the media presently on the mailing list for receiving meeting notices of the Washington Health Care Facilities Authority.

Members Present:

David Schumacher, Governor's Designee/Member

AnnaLisa Gellermann, Insurance Commissioner's Designee/Member, by conference speakerphone

Ron Sperling, Public Member, by conference speakerphone

Authority Staff Present:

Donna Murr, Executive Director

Shannon Govia, Assistant Executive Director

Ashlee Frye, Chief Financial and Compliance Officer

Danni Miller, Executive Assistant/Office Manager

Others Present:

Dan Gottlieb, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.

William Singer, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.

Brandon Pond, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S.

Matt Swafford, Authority Financial Advisor, Melio & Co.

Mayling Leong, Authority Bond Counsel, Orrick, Herrington & Sutcliffe LLP, by conference speakerphone

Rusty Fallis, Authority Assistant Attorney General

Doug Dale, Chief Financial Officer and VP of Finance, Sea Mar Community Health Centers

Herb Bone, Corporate Treasurer, Fred Hutchinson Cancer Research Center

Paul Kaschmitter, Chief Financial Officer, Community Health of Central Washington

David Emminger, Institutional Bond Network

Bill Doherty, Institutional Bond Network

Mr. Schumacher called the meeting to order at 2:30 p.m. after noting a quorum was present consisting of himself, AnnaLisa Gellermann, and Ron Sperling.

Review, discussion and possible action regarding the Minutes of October 8, 2015.

After discussion and upon motion by Mr. Sperling and seconded by Ms. Gellermann, the minutes of the October 8, 2015 Authority meeting were unanimously accepted by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2015-16, approving the application for financial assistance and authorizing the issuance and sale of a bond for Community Health of Central Washington (CHCW)

Mr. Govia introduced Mr. Paul Kaschmitter, Chief Financial Officer of Community Health of Central Washington, who was available to answer any questions the board may have had.

Mr. Govia summarized the application submitted by CHCW. They are seeking resolution approval in the amount of \$4,230,000 for renovations, reimbursement, refinancing and costs of issuance. The specific purpose of this loan will be to finance the cost of equipping and renovating a clinic located at 1806 W Lincoln in Yakima, WA, reimburse CHCW for prior capital expenditures, to refinance the WHCFA Series 2008 Revenue Bond and to pay costs of issuance. Approximately \$1,187,452 will be used to pay off the Series 2008 Revenue Bond, \$83,194 is the current estimated cost of issuance, and the remainder of the funds will be used for the new money and reimbursement aspects of the project. Based on a request from Ron Sperling an additional section has been added to this resolution summary titled, "Statistics on Refinancing". The funds will be used to refinance the WHCFA Series 2008 Bond in which the original loan amount was \$3,600,000. The current outstanding estimate on the Series 2008 Bond is \$1,187,452. The bond originated on July 16, 2008 and the maturity date is July 16, 2018. The interest rate is 6.22% and the loan holder of the 2008 Bond is Key Government Finance. This is a Quick Loan private placement with the lender being Key Government Finance. The security is a deed of trust. There are no Certificate of Need issues per CHCW and the Department of Health. Feasibility has been determined by Key Government Finance. A TEFRA hearing was held on September 23, 2015. No individuals testified for or against the project. The interest rate is fixed at 3.50% with a 10 year maturity. The depository bank is Zions First National Bank. There is an estimated public benefit of \$347,679 based on current estimated taxable vs. tax-exempt rates over the term of the loan. Based on the information in the application and the information provided by Department of Health and the Key Government Finance Private Placement Letter, Mr. Govia recommended adoption of Resolution No. 2015-16 for the benefit of CHCW.

Mr. Singer of Hillis Clark Martin & Peterson P.S., serving as bond counsel for this transaction, summarized the documents presented for approval and indicated that they are all in good order and that his firm is prepared to issue its approving opinion at closing.

Mr. Kaschmitter thanked the Authority for considering this loan as it would provide CHCW with an opportunity to save money. The new money portion of the loan will also allow CHCW to provide additional services to those in need.

There being no further discussion, without public comment and upon motion by Mr. Sperling, seconded by Ms. Gellermann, Resolution No. 2015-16 was unanimously approved by roll call vote.

Review, discussion and possible action regarding the adoption of Resolution No. 2015-17, approving the application for financial assistance and authorizing the issuance and sale of a bond for Sea-Mar Community Health Center, Series 2015C (Sea-Mar)

Mr. Govia introduced Mr. Doug Dale, Chief Financial Officer for Sea-Mar Community Health Center, who is available to answer any questions the board may have.

Mr. Govia summarized the application submitted by Sea-Mar Community Health Center of Seattle, Washington. They are seeking resolution approval in the amount of not to exceed \$16,500,000. The statistics on refinancing show the estimated loan payoff amounts at approximately \$10,814,000 which is significantly less than the not to exceed amount requested on the resolution before you for approval. This is due to a determination by bond counsel that two of Sea-Mar's properties originally anticipated to be refinanced were not eligible for financing through the WHCFA which significantly lowered the refinancing amount. The purpose of the loan is to refinance taxable loans held by MUFG Union Bank, N.A. which were used to finance the purchase of medical, dental, and behavioral health buildings, as well as a warehouse for storage of medical records. Cost of issuance will also be funded through bond proceeds. This will be a Quick Loan private placement with MUFG Union Bank, N.A. The primary security is a deed of trust on several properties owned by Sea-Mar. There are no Certificate of Need issues per Sea-Mar as well as the Department of Health. Feasibility has been determined by the lender. A TEFRA hearing was held on November 5, 2015. No individuals testified for or against the project. The interest rate will be fixed at 2.36% with a loan term of 10 years. It is anticipated by Sea-Mar that they will save approximately \$1,650,000 in interest costs over traditional taxable interest rate financing which was determined based on the not to exceed amount of the resolution. The updated savings based on the actual refinancing amount is estimated to be \$1,450,000. Based on the information in the application and the information provided by Department of Health and the MUFG Union Bank, N.A. Private Placement Letter, Mr. Govia recommended adoption of Resolution No. 2015-17 for the benefit of Sea Mar.

Ms. Leong of Orrick Herrington & Sutcliffe LLP., serving as bond counsel for this transaction, summarized the documents presented for approval and indicated that they are all in good order and that her firm is prepared to issue its approving opinion at closing.

Mr. Dale thanked the Authority for this financing opportunity which will give Sea-Mar the ability to provide much needed care and expand services to those in need.

In response to Mr. Sperling's inquiry regarding confirming the par amount to be issued as it was stated differently by Mr. Govia and bond counsel, Mr. Govia stated the actual par amount is \$10,845,000 which includes the cost of issuance.

There being no further discussion, without public comment and upon motion by Mr. Sperling, seconded by Ms. Gellermann, Resolution No. 2015-17 was unanimously approved by roll call vote.

Review, discussion and possible action regarding the application for financial assistance submitted by Fred Hutchinson Cancer Research Center (Fred Hutch)

Mr. Govia introduced Mr. Herb Bone, Corporate Treasurer of the Fred Hutchinson Cancer Research Center who is available to answer any questions the board may have.

Mr. Govia summarized the application for financial assistance submitted by Fred Hutch. The Fred Hutchinson Cancer Research Center located in Seattle, WA is submitting an application for financing in the amount of \$5,475,000. The purpose of the loan is to reimburse Fred Hutch for the purchase of the land and building located at 1210 Valley Street. The facility houses a child care center operated by Hutch Kids Child Care Center, a separately incorporated corporation, and is primarily used by Fred Hutch and Seattle Cancer Care Alliance employees. This is a Quick Loan private placement and the lender is U.S. Bank National Association. The primary security is a deed of trust. There are no Certificate of Need issues per Fred Hutch. Feasibility is to be determined by the lender and a TEFRA hearing will be scheduled if the Authority accepts this application. The interest rate is variable estimated at 69% of 1-Month LIBOR+.65%, with a 7 year term and a 25 year amortization. The depository agent is U.S. Bank National Association. It is estimated that Fred Hutch will save approximately \$400,000 in interest costs over the life of the proposed bond issue by financing at tax-exempt rates compared to taxable rates. Based on the application and the preliminary due diligence of bond counsel, it has been determined that the project as well as the borrower are eligible to finance through the Authority. Mr. Govia urged the Authority's acceptance of this application.

Mr. Bone thanked the Authority for considering this application. Mr. Bone stated that this parcel is the final piece to the expansion of their South Lake Union campus.

In response to Mr. Sperling's inquiry regarding the reasoning behind Fred Hutch choosing to utilize a Quick Loan versus combining the current project into a larger financing or public offering, Mr. Bone explained that since this parcel is part of their expansion property and they wanted to secure this loan only with the land and building associated with it and avoid the property becoming subject to their master trust indenture, the Quick Loan program was easier and more cost effective.

There being no further discussion, without public comment and upon motion by Mr. Sperling, seconded by Ms. Gellermann, the application for financial assistance submitted by Fred Hutchinson Cancer Research Center was unanimously accepted by roll call vote.

Executive Directors Report.

Ms. Murr reviewed the Executive Director's Report presented in the board materials including the status of Authority financings, financial statements, status report and debt service report.

Adjournment:

There being no further business, the meeting was adjourned at 3:00 p.m.

John Wiesman, Secretary